The Climate Action Reserve ("Reserve") appreciates this opportunity to comment on the Council on Environmental Quality's (CEQ) "Draft NEPA Guidance on Consideration on the Effects of Climate Change and Greenhouse Gas Emissions." The Reserve is an independent, non-profit organization originally established by the State of California in 2001. It operates a national carbon offsets program designed to ensure integrity, transparency and financial value in the U.S. carbon market. It does this by establishing regulatory-quality standards for the development, quantification and verification of greenhouse gas (GHG) emissions reduction projects in North America; issuing carbon offset credits known as Climate Reserve Tonnes (CRT) generated from such projects; and tracking the transaction of credits over time in a transparent, publicly-accessible system. Adherence to the Reserve's high standards ensures that emissions reductions associated with projects are real, permanent, verifiable, and additional, thereby instilling confidence in the environmental benefit, credibility and efficiency of the U.S. carbon market.

The Reserve encourages and supports efforts to improve consideration of the effects of GHG emissions and climate change in the evaluation of proposals for Federal actions under the National Environmental Policy Act (NEPA). The CEQ's draft guidance is an important step in this regard. It proposes sensible criteria for how and when Federal agencies should consider the effects of agency actions on GHG emissions, as well as what to consider in evaluating GHG effects and mitigation alternatives. The Reserve strongly supports the CEQ's recommendation that agencies carefully evaluate the quality of GHG mitigation measures, including assessment of the "permanence, verifiability, enforceability, and additionality" of such measures (p. 6).

With respect to evaluation of mitigation alternatives, the draft guidance mentions several kinds of measures that may be considered, including "enhanced energy efficiency, lower GHG-emitting technology, renewable energy, planning for carbon capture and sequestration, and capturing or beneficially using fugitive methane emissions." Presumably such measures would be considered as alternative options within the planning, configuration, or design of federal agency projects or activities. However, although not explicitly stated, such measures could also be undertaken at facilities or locations external to a federal agency project as a means of compensating for, or offsetting, the project's GHG emissions. **The Reserve recommends that CEQ provide explicit guidance encouraging the consideration of carbon offsets as a means to cost-effectively mitigate GHG emissions associated with Federal agency actions.**

The rationale for allowing carbon offsets as a mitigation measure is quite clear. Although it is possible in many cases to build GHG mitigation measures directly into the design and implementation of Federal agency projects or actions, doing so will frequently incur higher costs relative to other design alternatives. In some cases, the higher costs may be prohibitive. Use of carbon offsets (i.e., GHG reductions or removals achieved at sources or sinks external to a project or action) can allow Federal agencies to achieve mitigation objectives in a cost-effective manner, avoiding the need to implement costly design solutions or forego mitigation altogether.

If carbon offsets are allowed for GHG mitigation under NEPA, the CEQ should provide additional guidance on the criteria they must meet in order to uphold standards for quality. A number of independent, professional programs and registries currently exist in the United States today that certify carbon offsets. **To ensure that Federal agencies procure offsets that meet recognized standards for quality, the Reserve recommends CEQ incorporate guidance contained in Section 740 of the American Clean Energy and Security Act (H.R. 2454), passed by the 111th Congress on June 26, 2009.** This section establishes criteria for recognizing valid carbon offset credits issued by existing programs. In summary, the criteria stipulate that valid offsets must be:

- Generated from projects that started after January 1, 2001; and
- Certified by a regulatory or voluntary program that:
  - Was established under State or tribal law or regulation prior to January 1, 2009;
  - Has developed offset project type standards, methodologies, and protocols through a public consultation process or peer review process;
  - Has made available to the public standards, methodologies, and protocols that require that credited emission reductions be permanent, additional, verifiable, and enforceable;
  - Requires that all emission reductions be verified by a State or tribal regulatory agency or an accredited third-party independent verification body;
  - Requires that all credits are registered in a publicly accessible registry, with individual serial numbers assigned for each ton of CO_2 equivalent emission reductions; and
  - Ensures that no credits are issued for an activity if the entity administering the program, or a program administrator or representative, has funded, solicited, or served as a fund administrator for the development of the activity.

The Reserve believes that with appropriate criteria and guidance, carbon offsets can play an important and valuable role in achieving compliance with NEPA objectives concerning GHG emissions. Again, thank you for this opportunity to provide comments on CEQ's draft guidance. For questions regarding these comments or further information, please contact:

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